Voluntary - Public

Date: 2/5/2010
GAIN Report Number: IT1009

Italy

Post: Rome

Implementation of the Health Check – One Year On

Report Categories:

Trade Policy Monitoring

Approved By:
James Dever
Prepared By:
Sandro Perini

Report Highlights:
Discussions in Italy during the first half of 2009 focused on the final implementation of the Health Check, especially measures connected to Article 68. Most farmers' groups and organizations pressed the Ministry of Agriculture to obtain the highest possible benefit allowed by the EU legislation. The implementation of provisions connected to both Modulation and Cross Compliance, on the other hand, has been relatively simpler. Other specific rules of high interest for the Italian agricultural sector were those regarding the further, final decoupling of all support that remains "coupled".

General Information:
Details of the Italian response to the Health Check are provided below.

Modulation

As required by the EU regulations, all farmers receiving more than €5,000 per year in direct aid were to have their 2009 payments reduced by 5 percent and that amount transferred to the Rural Development budget. Under the Health Check, these deductions are to increase to 8 percent in 2010, 9 percent in 2011, and reach the final target of 10 percent in 2012. An additional deduction of 4 percent will be made on payments above €300,000 per year.

Last July the Italian Ministry of Agriculture submitted to Brussels a revised version of its National Strategic Plan for Rural Development for the seven year period 2007-2013, which accounts for the basic new "challenges" included in the Health Check. This Plan, compared to the previous one developed in 2006, includes the "additional resources" from the Common Agricultural Policy for the wine sector, the basic modulation deduction (5 percent up to 2009), the Health Check deductions (according to the schedule of their gradual increase), and the funds to be spent to favor the spreading of of the wide band into the rural areas.

This budget is, on average, co-funded on a 50/50 percent basis between EU and national Italian budget budget and totals €17.76 billion for the whole 2007-2013 period. The so-called "additional resources" included in this total, amount to about €1.15 billion that represent a net benefit to the Italian growers. The National Plan established the guidelines (in conformity to the "challenges" determined by the Health Check), which will be implemented by Italy's 20 regions (including one comprised of two autonomous provinces) through their individual Regional Rural Development Plans. The 50 percent funding from the EU represents an about a 45 percent contribution for the majority of the regions and as much 57 percent contribution for disadvantaged "convergence" areas.

Cross compliance

No new developments are available for this item. In December 2009, the Ministry of Agriculture issued a new Decree defining the new rules governing the implementation of mandatory management criteria and good agronomic and environmental conditions starting in 2010. This Decree established a new, mandatory rule fixing standards for the utilization of irrigation waters in order to optimize the use of water resources. To prevent water pollution, the Decree required that specific buffer belts be established along watercourses beginning in 2012.

Article 68

After a long debate between the federal authorities and the regions regarding the implementation of Article 68 of the EU Regulation 73/2009, a compromising agreement was reached in late July 2009 at the so-called State-Regions Conference. The subsequent Decree of the Minister of Agriculture issued on July 29, 2009, includes all the points of the above agreement.

Italy has decided to apply the "specific support" from Article 68, which allows Member States to utilize up to 10 percent of the total amount of direct aid (which for Italy equals about €4.3 billion) to be be spent for new measures that will be decided at national level. Article 68 provides for two different classes of measures: 1) coupled measures, subject to the ceiling of 3.5 percent of the national maximum amount, which for Italy cannot exceed €147.25 million; and 2) decoupled measures, which are not subject to financial limits.

The above Italian Decree resulted from long discussions with the regions and establishes a global budget of €316.25 million, of which €147.25 million is earmarked for coupled measures (the maximum allowed by the EU) and €169 million is designated for the decoupled measures. Funding for the above "specific support" will come for about €145 million from unused funds (granted under previous legislation to the farmers, but not paid to them, for any reason) and the remainder will be from deductions to the direct payments to the farmers (10 percent deduction to the producers of tobacco and sugar beets and a 3.8 deduction for all the remaining farmers).

Specific supports granted as a result of the above Decree regarding the coupled measures are as follows:

- €24 million for the beef cattle sector, as aids to the producers owning "sucker cows", belonging to beef breeds,
- €27.25 million for producers of aging beef cattle, (slaughtered, between 12 and 24 months),
- €10 million to sheep and goat breeders,
- €9 million to olive tree growers,
- €40 million to dairy producers,
- €21.5 million to tobacco growers,
- €14 million to sugar beet growers, and
- €1.5 million Euros to the producers of *Danaee Racemosa (Ruscus)*, a plant mainly produced in the region of Liguria

The above coupled aid totals €147.25 million annually. As can be seen, not all the agricultural sectors have been granted "specific support." For example, major field crops have been excluded. Durum wheat, in particular, was included in the first draft of the Decree but subsequently removed. In order to to rectify this exclusion, the same Decree has established, as the first "decoupled" specific aid, a support of €99 million to growers implementing triennial rotation practices. To be eligible for the support, this rotation must include one year of grains and one year of oilseeds or protein crops (fava beans, peas and other minor crops). However, this support applies only to central and southern Italy, and cannot exceed €100 per hectare. In case durum wheat is included in the above rotation, the aid is granted only if the grower plants certified seeds. The EU Commission approval for this 'decoupled' measure is still pending. Observers believe it will need to be modified before the Commission will approve it.

The second "decoupled" support consists of €70 million for farmers who sign appropriate insurance contracts against calamities, pests, animal diseases, and other risks that produce a loss of more than 30 percent of their average annual production.

Decoupling

According to the EU Regulation 73/2009, Member States have the authority to fix the dates of the final decoupling of the remaining coupled aids. Italy has decided to postpone the decoupling of the support for protein crops, rice, tree nuts, and seeds until 2012. Coupled support, therefore, will remain in force for 2010 and 2011. The reference period for decoupling has been established as the average of 2005-2008, except for seeds, for which it remains at the average of 2000-2002.